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UNREGULATED COMPETITION IS DESTRUCTIVE OF NATIONAL WELFARE

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Discussion for the promotion of the national welfare must have prosperity for its objective point.

National welfare must include the welfare of all sections, all classes and all individuals.

Individual prosperity is the fundamental basis for national prosperity. It is an infallible safeguard for national welfare.

The phase of national welfare to be considered is material well-being; therefore this discussion will deal with economic propositions. The material well-being of every individual, and of the state, is expressed by growth in wealth. Such growth can occur only as the results of profits earned by industry. Incomes from investments of all kinds have their origin in the profits of industry. For this reason profit-making is the fundamental basis for individual and national prosperity.

When a man works in isolation the entire product of his labor is unquestionably his property by right of creation. In the time when the work of production, and the exchange or distribution of products, was done by individuals, each operating upon his own initiative and for his own account, competition to gain the largest obtainable profit stimulated endeavor to its greatest possibility. This caused the production of an ever increasing variety of commodities in an ever increasing supply, the attempt to market which brought producers, or distributors, in sharp competition with each other, each attempting to win a possible profit by giving inducements to buyers in terms of payment or reduction in price, one or both. The effect of such competition was to stimulate trade and to keep prices, as a general result, at a point that would yield only a small profit for the producer and distributor. Under these conditions the axiom was formulated that "Competition is the life of business."

Competition became fiercer with every improvement in facilities

for the exchange of information and the transportation of persons and commodities. Increase in property was the material good sought by every competitor. To win this, the requirements of the moral law did not prevail. Sharp practice became the rule rather than the exception. The successful competitor was one who felt no restraint from conscience; who was most clever in outwitting buyers as to quantity or quality, or who was most successful in getting some special transportation advantage. On the other hand, the narrowing of the margin for profit compelled the production and sale of an ever increasing quantity in order to enable the producer to secure a necessary annual income.

These causes combined to compel individuals to co-operate for the purpose of cheapening production and transportation by increasing production and to afford each other protection against the methods employed by less fair competitors. Experience demonstrated that unregulated competition tended to destroy the power to make a profit, therefore regulated competition began to be commended as a means of promoting profit-making.

Regulation is always a restraint on freedom. The attempt to regulate competition as a means of promoting profit-making made it necessary to place restraints upon trade as a limitation on competition to promote profit-making.

Statutory laws came into existence and have been developed through a more or less well defined purpose to safeguard business methods and thus promote the general welfare. At the outset these laws were designed to keep competition absolutely free, that is, unregulated. To do this it was thought necessary to prohibit all restraint of trade and thus this prohibition became the objective point of governmental regulation. By following legal precedent instead of being guided by business experience, attempts at governmental regulation of business have been directed to a wrong objective point when invoked to safeguard unregulated competition in order that trade may be unrestrained. This led inevitably to making a prohibition of all restraint of trade a wrong objective point for governmental regulation. Political development along these lines prevented a recognition of the fact that unregulated competition and unrestrained trade are wrongly commended as necessary conditions for the promotion of profit-making as a means of developing individual and national welfare.

Political opinion, formulated into laws establishing and providing for a system of governmental regulation, designed to maintain unregulated competition by prohibiting all restraint of trade, is based upon economic theories and business methods as they were in the year 1776 when Adam Smith wrote the "Wealth of Nations." At that time steam and electrical power were unknown and had, therefore, not been utilized to expedite trade; the transmission of intelligence was then limited to the means employed for the exchange of commodities, and credits had not become a commercial commodity. In those days unregulated competition and unrestrained trade were accepted as necessary conditions for profit-making.

In the days of unregulated competition and unrestrained trade, individual profit-making was, as it is now, the true objective point of industrial endeavor and governmental protection. It is obvious, however, that business methods must change in order to keep in true adjustment with improvements in business facilities. When business facilities were limited to the use of physical power, by the utilization of animal-drawn vehicles and sail-propelled ships, unregulated competition and unrestrained trade were approved business methods. The power to co-operate, as may now be done, had not then been acquired. The utilization of steam and electrical power has removed the limitations imposed upon production, transportation and the transmission of intelligence by the use of physical power only, and has caused an enormous expansion in production, in the exchange of commodities, in the transmission of intelligence and in transfers of moneys and credits.

The power to co-operate was created by the utilization of steam and electrical power in the improvement of business facilities.

The more intelligent men become, the greater is their power and their desire to co-operate. Co-operation is possible between civilized men only. There is no industrial or commercial co-operation between barbarians; they have no desire, ability or power to co-operate, nor do they possess facilities which render co-operation possible.

Co-operation between civilized men is a life-giving necessity for the development of individual intelligence, character and ability. It is a means by which the least capable can acquire intelligence and share in the profits made possible by the skillful management of the most capable. It is not socialism. It is a natural and an

intelligent development of individualism because it protects, aids and develops individual interests in ways that can never be acquired by any person working in isolation.

Desire, ability and power to co-operate are natural products of intelligence. They are born with its birth; they grow with its growth; their application to business methods is its highest manifestation.

Every improvement in business facilities renders the utilization of the power to co-operate imperatively necessary in order that the development of economic efficiency may be unrestrained.

Every action guided by knowledge, every mechanical device, every form of organized associated effort that tends to promote economic efficiency opens a way in which individuals may acquire wealth through profit-making. Economic efficiency, not unregulated competition nor unrestrained trade, is the true promoter of individual profit-making.

The law of economic efficiency is the cohesive force that induces, compels and maintains co-operation between men by combining them into organized business units capable of handling the limited business of communities, isolated plants, mercantile and banking establishments, and then forcing co-operation between such organized units by creating multiple business units, such as combines and trusts, capable of handling the business of states, of the nation, and of the world.

Production resulting from the work of one man, operating in isolation, results from a co-operative use of brains and muscles. As a general proposition such production is limited by the intelligence of the brains rather than by the strength of the muscles. Uneducated brains require a maximum expenditure of muscular strength to obtain a minimum quantity or quality of products. For these reasons, lowest economic efficiency is the condition of unorganized man, brains and muscles, working in isolation.

Between the two extremes of lowest and greatest economic efficiency, is placed, for the purpose of illustration, a condition of average economic efficiency which is a condition created by an organization of men, brains and muscles, co-operating to increase individual profit-making through the increased efficiency of partnerships and corporations owned by individual stockholders. Such co-operation is forced by the reduction of the margin of profit caused by com-

petition which increases demand by lowering prices and makes it necessary to sell an ever increasing quantity of products in order to obtain a necessary annual income earned by a decreased percentage of profit. Product per man employed is increased by co-operation, therefore co-operation is the open road to increased individual profits for all who are, or have been, working in isolation.

Greatest economic efficiency is the condition of organized men, brains and muscles, co-operating to increase individual profit-making by developing and utilizing economies that are only possible to the largest operations which must be handled by multiple business units. These units may be created by trade associations or the closer organizations of combines and trusts. The pressure of competition compels the development of efficiency in every possible way. Efficiency that can be realized only through co-operation will be developed by this means. Natural progress in this direction will be made through the organization of trade associations. When statutory law forbids the organization of trade associations the irresistible force of natural economic laws will compel the creation of combines, trusts and abnormally large corporations. This has been demonstrated by the course of industrial development in the United States since the enactment of the so-called Sherman Anti-Trust Law; a law that has compelled the organization of combines, trusts and abnormally large corporations. Proper regulations for the creation and operation of trade associations will tend to check the growth of combines, trusts and enormous corporations, and will ultimately render such organizations absolutely undesirable, excepting for the business of furnishing facilities for the transportation of persons and commodities and for the transmission of intelligence.

Organized business units, simple and multiple, are the means by which mechanical and electrical power has been, is now, and must continue to be, utilized for the development of production and of all forms of trade facilities to the greatest economic efficiency.

Desire to increase individual profits is the vitalizing spark that gives life to all industrial, commercial and financial efforts. Without this desire the entire business structure, from the efforts of the unorganized man to the operations of the largest multiple organization of organized business units that can be conceived, would be dead.

The records of industrial development show that real competi-

tion did not begin in this country until after the year 1860. Prior to that time, especially before the utilization of steam power and during the long years of hand power and home industries, there was practically no competition in the modern sense.

The intense manufacturing activity in some lines, following the outbreak of the war in 1861, induced by the demands that war created, demanded enlarged factories and facilities of every kind. This forced owners to seek a constantly increasing business in order to make a profit. This brought them into direct competition with each other. This was the beginning of modern industrial competition in the United States. It grew without restraint until it developed destructive tendencies, which grew stronger and more vicious until they culminated in the panic of 1893.

During the recuperative years from 1893 to 1898, men capable of intelligent thought came to the conclusion that competition as then practiced was destructive, and that combination, or a recognition of a community of interests in some form was absolutely necessary to enable all persons engaged in productive industries to make a profit.

Unregulated competition forced the era of co-operation into existence, which commenced when men who intelligently studied the use, development, ineffectiveness and tendencies of unregulated competition, began to change their business methods to safeguard their business against wastage and destruction by adopting measures to restrain trade by regulating competition between themselves. The era of peace and good-will among business men began with the commencement of this era of co-operation.

In the course of time, immoral business methods induced and forced by the stress of unregulated competition became unendurable and demanded correction by governmental regulation. Attention was centered upon these methods or practices. No attention was given to a study of the economic conditions of which they were a natural and an inevitable product. Symptoms, not causes, were studied and exploited by those who formed political opinion. This caused political opinion to make a fundamental mistake in the measures advocated for the regulation of business. This mistake was induced by the error of conceiving the regulation of business methods instead of the development of profit-making to be the true objective point of economic theory and of correct governmental

regulation. This error caused a disastrous attempt to compel the continued use of methods belonging to the age of physical power (when men were compelled to operate in isolation or in small organizations utilizing slow and expensive facilities for the exchange of their products and industrial or commercial information), in an age eager to profit by the expansion of economic efficiency induced and made possible by the utilization of mechanical and electrical power.

The need and the duty of the present time is the learning of the lessons taught by reason and experience that the age of unregulated competition and regulated trade passed with the passing of the age of production and trade facilities limited to the use of physical power; that the development of economic efficiency must be the objective point of governmental regulation, as well as of all business undertakings, if individual and national welfare is to be efficiently developed and effectively safeguarded.

The learning of these lessons will cause the people to know that when laws conflict with business methods correct procedure requires that an investigation should be instituted to determine which operates as a restraint upon economic efficiency, the laws or the business methods. If the law is at fault, it should be repealed or amended. If the business methods are at fault, they should be abandoned or corrected.

Progress can be induced only by a recognition of the fact that laws must change, and business methods must change, to keep industrial development in true accord with changes in business facilities.

To be right and just, laws and business methods must be correctly aligned with the requirements of moral and economic laws.

An investigation of the moral and economic soundness of business methods should have for its objective point the elimination of all causes of conflict between business methods or statutory laws and moral and economic laws, not the creation of criminals out of successful business men.

When a business method is found to be morally or economically wrong, that fact, and only such a fact, should be made the basis for a demand that it shall be changed. If the required change is not voluntarily made within a reasonable time, then, and only then, should a criminal prosecution be undertaken.

As a concluding statement it is affirmed that destructive competition—competition that destroys ability to earn a profit is the

most powerful restraint that can be placed upon trade. It kills trade.

Governmental regulation of business will benefit the people to the degree in which it successfully aids economic efficiency.

This can best be done by providing for and promoting co-operation between men by the creation of organized primary business units, and by providing for and promoting co-operation between such primary business units through the creation of trade associations and multiple business units. Laws providing for the creation of such business units and organizations should establish rules for their correct self-government, and should make it certain that a fair share of the profits resulting from such organized efficiency shall be distributed to each individual interest, thus making them an efficient means for developing individual profit-making which is the fundamental basis of individual prosperity.

Individual prosperity is an infallible basis of and safeguard for national welfare.